

Information Services Board Briefing Paper on the DSHS Health Insurance Portability and Accountability Act (HIPAA) Feasibility Study

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Description

The Department of Social and Health Services (DSHS) appeared at the December 2001 ISB meeting to present the results of the agency's feasibility study that examined the options for implementing changes to the DSHS Medical Assistance Administration's (MAA) Medicaid Management Information System (MMIS). Based on the findings of the feasibility study, DSHS requested Board approval to amend the contract with Affiliated Computer Services (ACS), formerly Consultec, Inc., and to release an RFP to acquire services for the modification of MMIS and the development of a web portal front end. At that meeting the Board asked DSHS to address additional issues and return to present their findings.

HIPAA has emerged as a priority for all segments of the health care industry. It establishes new standards for electronic data interchange, privacy, and security. MMIS in its current form does not support HIPAA-required data elements or formats, all of the required standard HIPAA transactions, or compliant remote access for service providers. The system must be able to support these federally mandated requirements by the October 2003 deadline in order to avoid possible federal penalties for non-compliance, loss of 75% federal funding for operations, and/or loss of 50% federal funding for program services.

In addition to this first rule dealing with transactions, the second HIPAA rule dealing with privacy of health information has now been published with an implementation deadline of April 2003. HIPAA regulations addressing security, national identifiers, and enforcement are expected to be published in the near future. DSHS will be required to implement these rules to continue to receive matching federal funding to operate the state Medicaid program and to avoid possible federal penalties for non-compliance.

MMIS claims processing and other mainframe-based subsystems require modifications to accept new procedure codes, new data elements, and new lengths or configurations of currently accepted elements. The current MMIS remote access front end, known as MACNET, enables providers to dial in and submit claims. The claims are then translated into an MMIS-readable format and routed to MMIS. MACNET must be replaced in order to accept, translate, and route HIPAA-compliant transactions.

The feasibility study reports that HIPAA compliance could be achieved by modifying MMIS and developing a web portal front end with translation middleware. The rationale for this approach is twofold: it provides the mandated HIPAA support, and it limits the extent of changes to MMIS given that changes are very costly and the system is scheduled for reprocurement of maintenance and operational support services during the 2003-05 Biennium. The feasibility study lists the anticipated costs of this approach as \$16,017,708 based on \$1,718,767 in General Fund-State (10%) and \$14,298,941 in Federal Financial Participation (90%).

Background

The goals of HIPAA are: 1) to improve the efficiency and effectiveness of health care systems; 2) to simplify administrative functions and lower costs; and 3) to provide better security and privacy of health care information. These are to be accomplished through the implementation of regulations issued by the federal Department of Health and Human Services (DHHS):

- Standards for transactions using Electronic Data Interchange (EDI)
- Standards for privacy of health information
- Standards for security of health information
- Standard, national provider, payer, and employer identifiers
- Standards for enforcement of the regulations

Other agencies besides DSHS are affected by the HIPAA regulations. The Department of Corrections, the Department of Health, the Health Care Authority, the Department of Labor & Industries, the Department of Veterans' Affairs, and the Office of the Superintendent of Public Instruction are evaluating the impact of the HIPAA within their respective operations.

DSHS hosts a website with interagency information called "Washington State's HIPAA Partnership" that can be found at <http://maa.dshs.wa.gov/dshshipaa>. For users with access to Inside Washington (i.e., behind the firewall), additional interagency HIPAA information can be found at <http://maaintra.dshs.wa.gov/dshshipaa>.

Status

The DSHS feasibility study examined five implementation options to address the HIPAA requirements:

- 1) Continue with no change to the existing technology;
- 2) Contract with a clearinghouse for HIPAA compliance;
- 3) Implement the ACS corporate solution;
- 4) Maximize changes to the MMIS mainframe system by ACS programming staff and minimize changes to the front end; and
- 5) Maximize changes to the front end system by contracted programming staff and minimize changes to the MMIS system.

The DSHS feasibility recommends option #5 as the preferred approach.

Issues

- The deadline for compliance with the first rule, EDI Transaction Standards, was October 2002. Congress approved extension of the deadline to October 2003 for covered entities that submit a detailed compliance plan to DHHS by October 2002 and plan to begin testing the HIPAA modifications by April 2003.
- The feasibility study limits itself to MMIS and only those business programs within DSHS that make use of MMIS to process their payments.
- Failure to make MMIS HIPAA compliant could:
 - interrupt delivery of medical and social services to over 1.2 million citizens and payments exceeding \$3 billion per year to the providers of those services.
 - result in fines in excess of \$1 million per year.
 - result in the federal government withholding Medicaid funds.

The Board asked DSHS to report back on the following:

- Whether or not other states that contract with ACS are willing to share the costs for modifications to the MMIS system.
- The extent to which other states are banding together to share modification costs.
- Whether other state agencies affected by HIPAA would be able to share DSHS' proposed solution.
- How the proposed HIPAA modifications to MMIS will affect the planned repurchase scheduled for the 03-05 Biennium.

Recommendation

Employing an enterprise approach to HIPAA presents questions that are not easily resolved and would require significant additional planning, coordination, and would increase the risk that DSHS would not be able to complete their remediation and development efforts within the federally mandated timeframe.

DIS concurs with the feasibility study recommendation to implement HIPAA modifications by issuing a Request for Proposal (RFP) to acquire professional services to modify the legacy MMIS, develop a web front end system, and implement translation middleware to achieve HIPAA compliance by the federally mandated deadlines.

DIS recommends that the ISB accept the results of the feasibility study, approve amending the contract with ACS, and approve the release of the RFP. DIS also recommends that DSHS return to the ISB to review proposed project costs and schedules.